



**UNITED STATES DEPARTMENT OF COMMERCE**  
**National Telecommunications and**  
**Information Administration**  
Washington, D.C. 20230

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Office of the Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W., Room TW-A325  
Washington, D.C. 20554

Re: In the Matter of Access Charge Reform (CC Docket No. 96-262), Price Cap Performance Review for Local Exchange (CC Docket No. 94-1), Low-Volume Long Distance Users (CC Docket No. 99-249), and Federal-State Joint Board on Universal Service (CC Docket No. 96-45).

Dear Ms. Salas:

Enclosed please find an original and ten copies of the *ex parte* letter from Gregory L. Rohde, Assistant Secretary for Communications and Information, U.S. Department of Commerce, to Chairman William Kennard in the above referenced proceedings. Copies were hand delivered to each of the Commissioners, Lawrence E. Strickling, Chief of the Common Carrier Bureau, and Wanda Harris of the Competitive Pricing Division.

Please direct any questions you may have to the undersigned. Thank you for your cooperation.

Respectfully submitted,

Kathy D. Smith  
Chief Counsel

Enclosures

cc: The Honorable William E. Kennard  
The Honorable Susan Ness  
The Honorable Harold Furchtgott-Roth  
The Honorable Michael Powell  
The Honorable Gloria Tristani  
Lawrence E. Strickling  
Wanda Harris  
ITS (diskette copy)

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UNITED STATES DEPARTMENT OF COMMERCE  
The Assistant Secretary for Communications  
and Information  
Washington, D.C. 20230

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The Honorable William Kennard  
Chairman  
Federal Communications Commission  
The Portals  
445 12th Street, S.W.  
Washington, D.C. 20554

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Re: **Ex Parte** -- Coalition for Affordable Local and Long-Distance Service Proposal  
for Reform of Interstate Access Charges, CC Docket No. 96-45, FCC 99-235

Dear Chairman Kennard:

The Commission has before it a proposal by the Coalition for Affordable Local and Long-Distance Service (CALLS) to reform further the Commission's rules and policies concerning interstate access charges.<sup>1/</sup> The National Telecommunications and Information Administration (NTIA) recognizes that access charge reform can produce important competitive benefits and, indeed, may be necessary to ensure that the interstate access regime is compatible with the competitive environment spawned by the Telecommunications Act of 1996. We emphasize, however, that such reform will further the public interest only if it also produces clear benefits for consumers.

The CALLS proposal was negotiated by the local exchange carrier and interexchange carrier members of the coalition as a comprehensive solution to their access charge, universal service, and price cap concerns.<sup>2/</sup> The plan has three basic elements: First, it would combine existing carrier and subscriber charges into one flat-rated subscriber line charge (SLC), and would provide for limited deaveraging of those charges under specific conditions. Second, the plan would establish a portable universal service fund that provides explicit support to replace support currently implicit in interstate access charges.

Third, the proposal would target all annual rate reductions mandated by the Commission's existing price cap plan towards reducing each LEC's per-minute traffic

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<sup>1/</sup> Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Low-Volume Long Distance Users; Federal-State Joint Board on Universal Service, *Notice of Proposed Rulemaking*, 14 FCC Rcd 16872 (1999) (CALLS Rulemaking).

<sup>2/</sup> *Id.* at 16872-16873, ¶ 2. The coalition members are AT&T, Sprint, GTE, Bell Atlantic, BellSouth, and SBC Communications.

sensitive charges to its predesignated Target Rate.<sup>3/</sup> The rates for all other interstate access rate elements (e.g., the SLC) would remain unchanged from present levels. Once a LEC reaches its Target Rate, the productivity factor in the Commission's price cap formula (currently 6.5 percent) would be set equal to the inflation factor, meaning that there would be no further reductions in that LEC's interstate access rates for the remaining duration of the CALLS proposal.<sup>4/</sup>

NTIA believes that the CALLS plan contains provisions that merit serious consideration, though perhaps not unqualified acceptance.<sup>5/</sup> As noted, however, the Commission must ensure that any changes to the current access charge structure produce clear and demonstrable consumer benefits. To that end, NTIA recommends that any access charge order adopted by the Commission should include the following elements:

- If the Commission adopts the CALLS proposal to combine the SLC and the presubscribed interexchange carrier charge (PICC), the Commission must ensure that consumers are informed as to the nature of that charge and the reasons for its imposition. Further, as CALLS contemplates, the Commission should increase Lifeline support to protect low-income subscribers from increases in the SLC.
- The Commission should guarantee that all consumers continue to receive the benefits of the productivity gains realized by price cap-regulated carriers. In this regard, NTIA does not understand why all productivity gains should be targeted towards reducing a single rate element (i.e., traffic sensitive charges), or why the productivity factor should be reduced arbitrarily (until January 1, 2005) once the relevant Target Rate has been reached.
- The benefits of any access charge reductions resulting from implementation of the CALLS plan should accrue to the benefit of all interexchange service customers. With every access rate reduction under the CALLS plan, the Commission should require all regulated interexchange carriers to file new tariffs reflecting changes in their access and other underlying costs.
- The Commission should promote affordable long-distance service for those

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<sup>3/</sup> The Target Rate is \$.0055 per minute for Bell Operating Companies and GTE, and \$.0065 per minute for all other price cap-regulated LECs. *See id.* at 16894 (Section 3.3 of the CALLS proposal).

<sup>4/</sup> The plan will terminate on January 1, 2005.

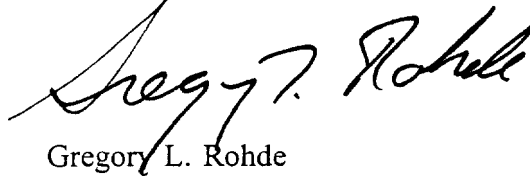
<sup>5/</sup> A group of consumer groups and business organizations has criticized the CALLS plan and has submitted a counterproposal to the Commission. NTIA urges the Commission to consider that alternative plan carefully before taking any action on the CALLS proposal.

low-income, low-volume consumers who rely upon interexchange service as their lifeline to the rest of the world.

- The Commission must take care that any access charge reform is consistent with requirements of the Telecommunications Act of 1996 to preserve and advance universal service, to assure that universal service funds are being used for their intended purposes, to ensure that interexchange rates in rural and high-cost areas are comparable to those charged in urban areas, and to guarantee affordable long distance rates for all Americans.<sup>6/</sup>

Thank you for your consideration of these views.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregory L. Rohde". The signature is fluid and cursive, with the first name "Gregory" being more prominent and the last name "Rohde" following in a similar style.

Gregory L. Rohde

cc: Commissioner Susan Ness  
Commissioner Harold Furchtgott-Roth  
Commissioner Michael Powell  
Commissioner Gloria Tristani  
Lawrence E. Strickling, Chief, Common Carrier Bureau

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<sup>6/</sup> See 47 U.S.C. § 254(b)(1), (3), (e) (Supp. III 1997).